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SUBJECT: NETHERLANDS: CAUTIOUS ABOUT NUCLEAR FUEL BANK

REF: SECSTATE 68313

Classified By: Political Economic Counselor Drew Mann for reasons 1.5(b),d)

11. (C) SUMMARY: On June 26, poloff delivered reftel points to Henk Cor van der Kwast, Director of the Nuclear Affairs and Nonproliferation Division at the Dutch MFA. In a July 17 discussion, Van der Kwast and Ralf van de Beck, Senior Policy Officer, said the Dutch were not ready to contribute to the Nuclear Fuel Bank proposal. Allies still need to convince nuclear fuel consumers to support the idea, and also work out the details for how the bank would function. The Dutch offered suggestions on next steps, focusing on bilateral and informal settings rather than the "politicized" IAEA. END SUMMARY.

12. (C) NEED TO INVOLVE CONSUMER COUNTRIES: According to Van der Kwast, several potential customers of a fuel bank, including Argentina, Brazil, Egypt and South Africa, are highly resistant to the proposal. Non-aligned movement (NAM) countries see this as an infringement on their Article 4 right to nuclear power. They are willing to buy in to Iranian suggestions that this is an effort to protect a monopoly. Even though these arguments are wrong, and some countries may disagree with the opponents of a fuel bank, more supportive nations are not willing to speak up at the IAEA.

13. (C) NEED DETAILS ON HOW BANK WOULD OPERATE: The Dutch asked several rhetorical questions and made several observations. They noted they were concerned that the fuel bank money, if held by the IAEA, could get "side-tracked" if the details of bank were not finalized. Who would have access to the bank? Who would manage the fuel bank? Israel would oppose IAEA DG El Baradei taking on that role. Would the bank be "real or virtual"? If the bank is "real," who would supply the fuel? How would the fuel bank initiative be tied to export controls already in place?

14. (C) SUGGESTED NEXT STEPS: In September, before the IAEA Board of Governors meeting, the EU will look at several proposals, including ideas from the UK, Austria, and Germany. According to the EU consensus, this is a matter that needs "further reflection." Van de Beck sees the IAEA as too politicized to advance the fuel bank proposal at this time. Side meetings and events, and bilateral contacts, are the best way to advance the idea. The Berlin conference on

nuclear fuel helped start the dialogue. "We don't want to sit back and wait for the discussion to flow over us." At the same time, we don't want to "move too fast." Presenting a "solution" may alienate consumer countries. We need to get NAM to take "ownership" based on their common interest with us in non-proliferation and in the potential economic advantages of a fuel bank. Given the skepticism among NAM countries, building trust is critical. Jordan and the UAE appear more supportive at this point. Malaysia and Indonesia are "in the middle" and may be open to discussions.

Gallagher